



**BAJAJ**

*Distinctly Ahead*

# AGENDA

**Auto business**

**Status of de-merger**

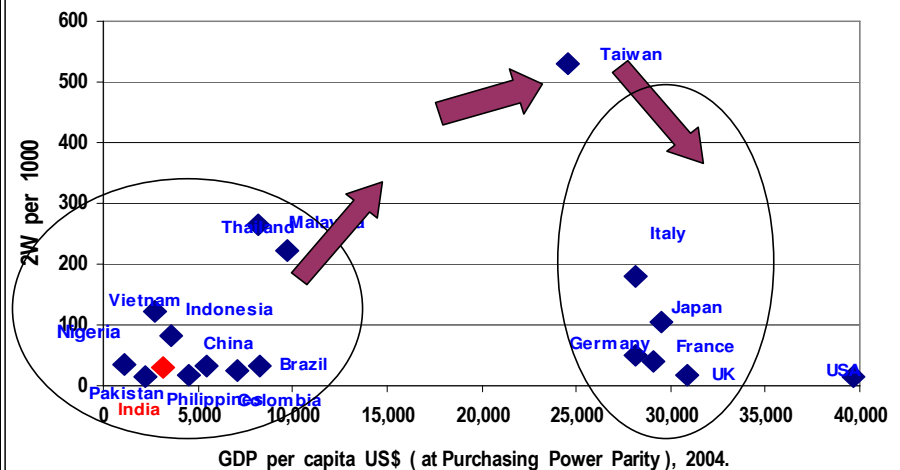
**Retail Finance business**

**Insurance business**

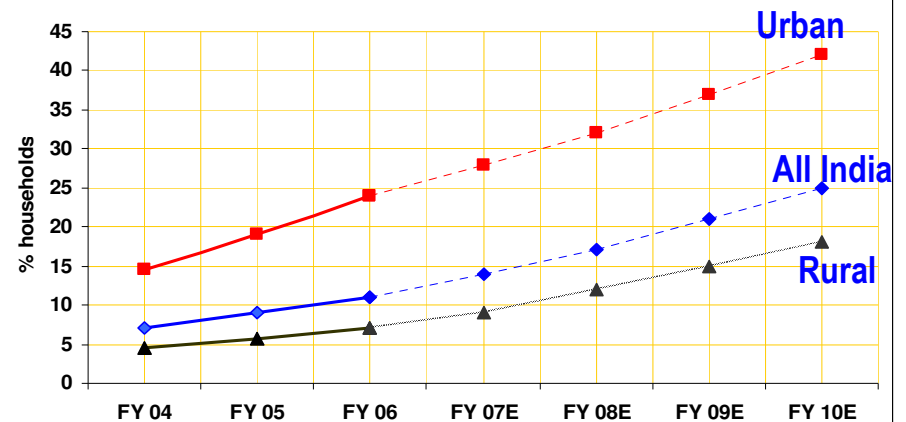
# 2wheeler : Growth drivers remain intact

- Favorable demographics
- Average age of first time buyer down to 18 years
- Need for individual mobility
- Strong GDP growth
- Low penetration
- Poor mass transport system

Market preference

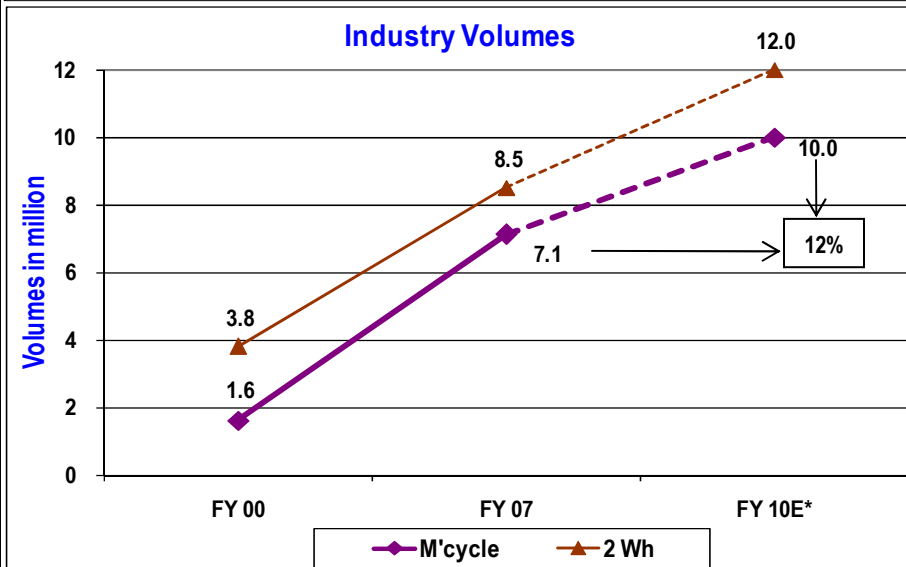
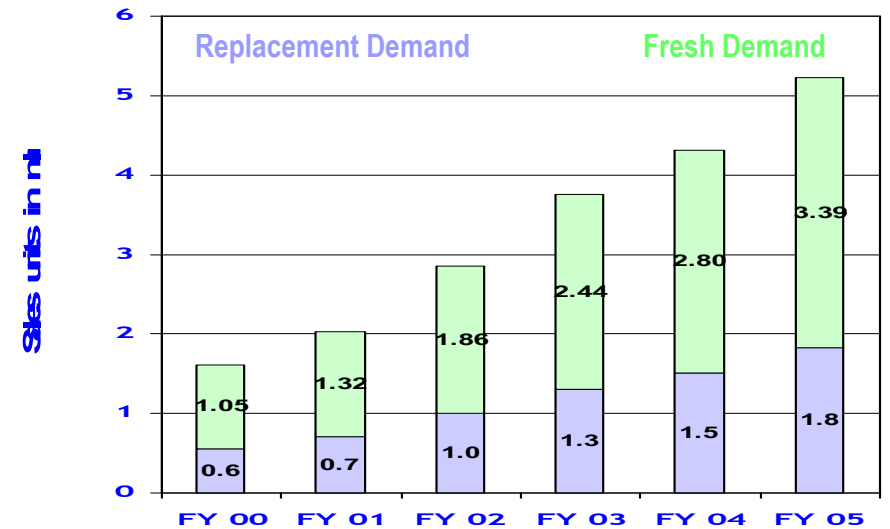


Penetration of 2 Wheelers

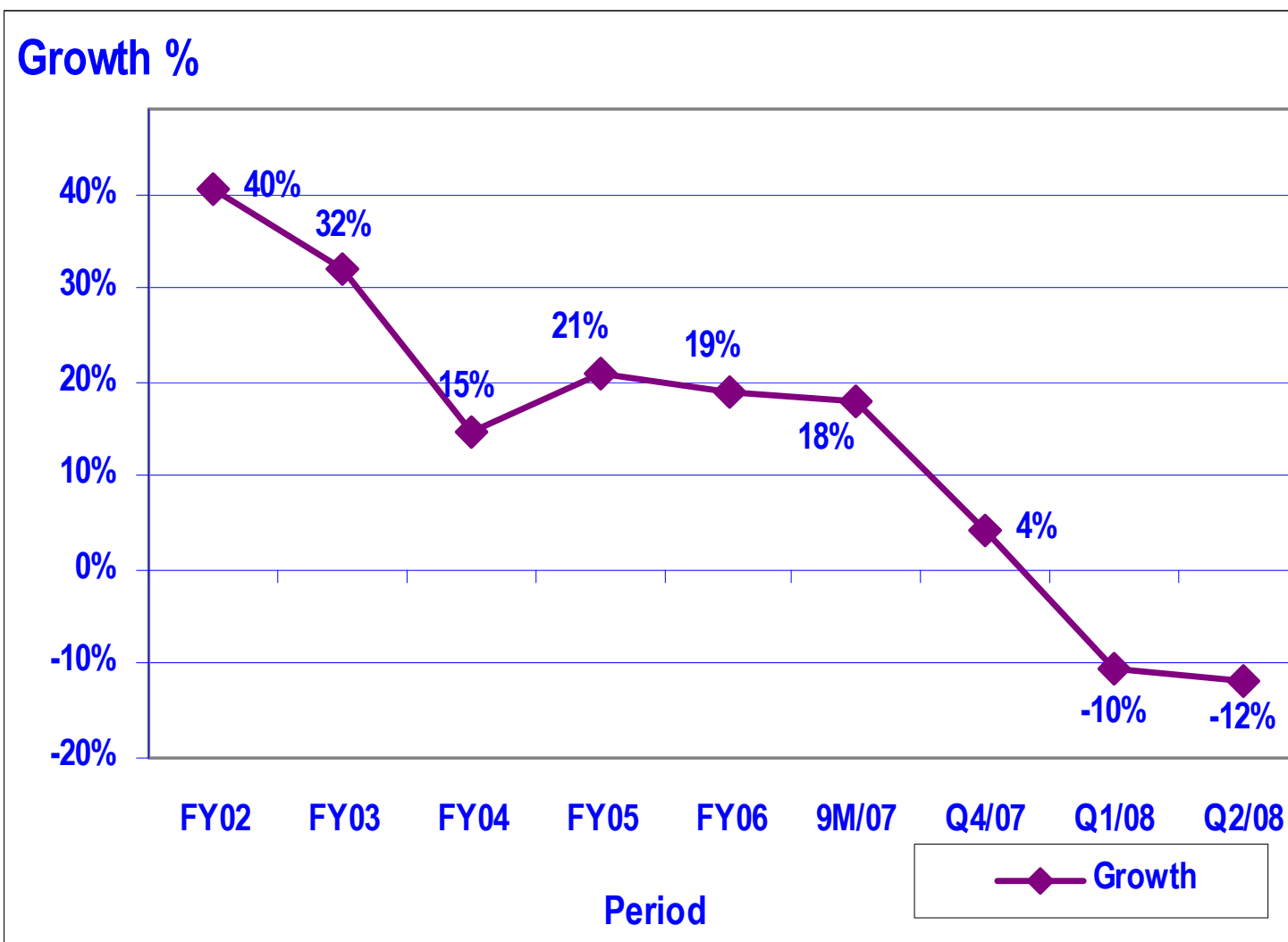


# 2wheeler ( contd ) ...

- Growing retail and service industry
- Reduced product lifecycle – 7 to 5 years
- Increasing replacement demand - > 35%
- Multitasking in rural India
- Export opportunities



## However the market has de-grown



# What has changed ?

- **Credit availability**  
Squeeze and higher down payment
- **Credit norms**  
Tightening of lending norms.  
Impact on eligibility for lower income group of society
- **Rising interest rate**  
Increase in interest rates across the board,  
reducing available disposable income
- **Product fatigue**  
in the 100cc segment

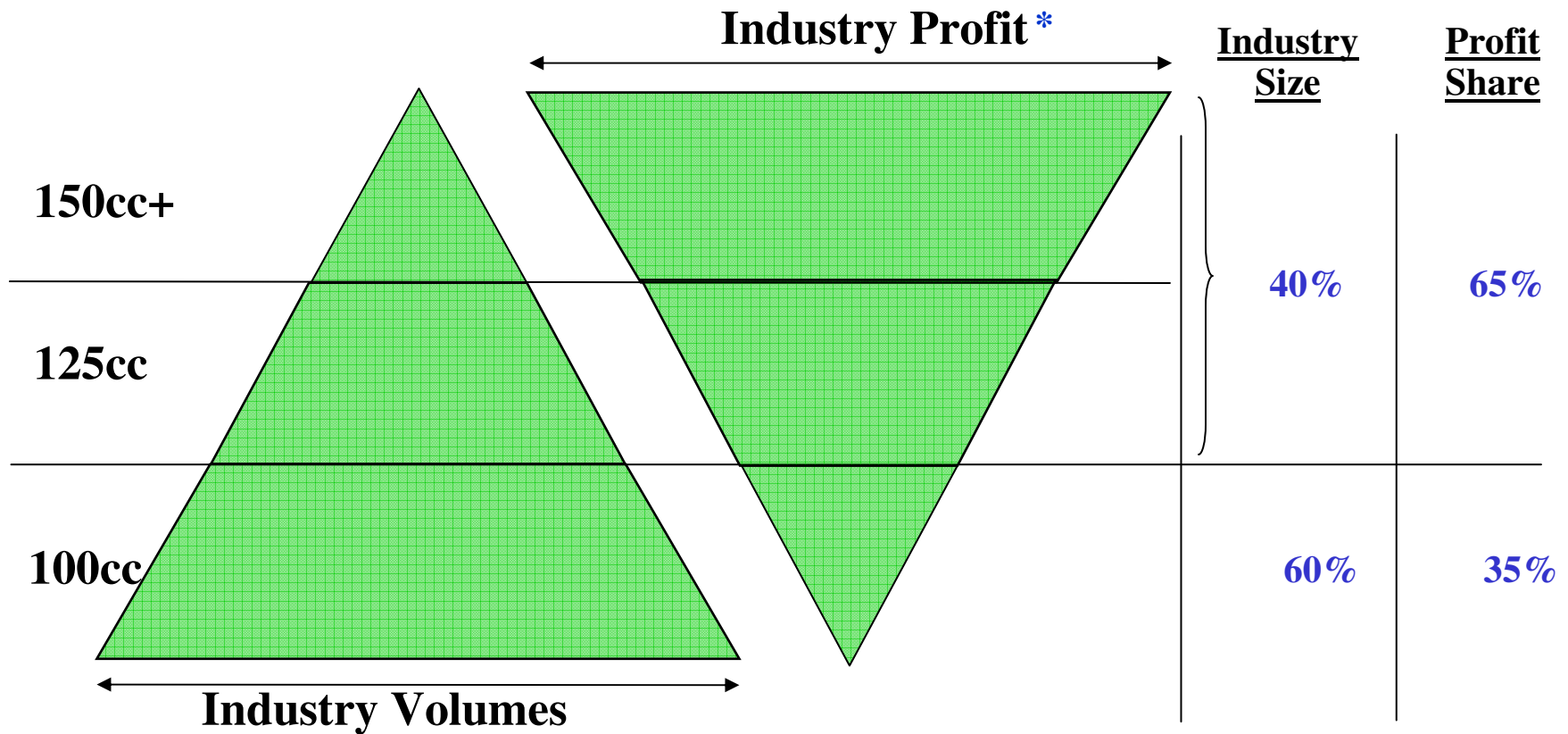
## Maximum pain felt by 100cc motorcycles

	FY06	9M/07	Q4/07	Q1/08	Q2/08
<b>Motorcycles</b>	<b>19%</b>	<b>18%</b>	<b>4%</b>	<b>-10%</b>	<b>-12%</b>
<b>100cc</b>	<b>+7%</b>	<b>+14%</b>	<b>-12%</b>	<b>-20%</b>	<b>-23%</b>
<b>125cc</b>	<b>+121%</b>	<b>+31%</b>	<b>+71%</b>	<b>+10%</b>	<b>+11%</b>
<b>150cc +</b>	<b>+29%</b>	<b>+22%</b>	<b>+43%</b>	<b>+28%</b>	<b>+22%</b>

# BAL strategy - Ensure Profitable growth



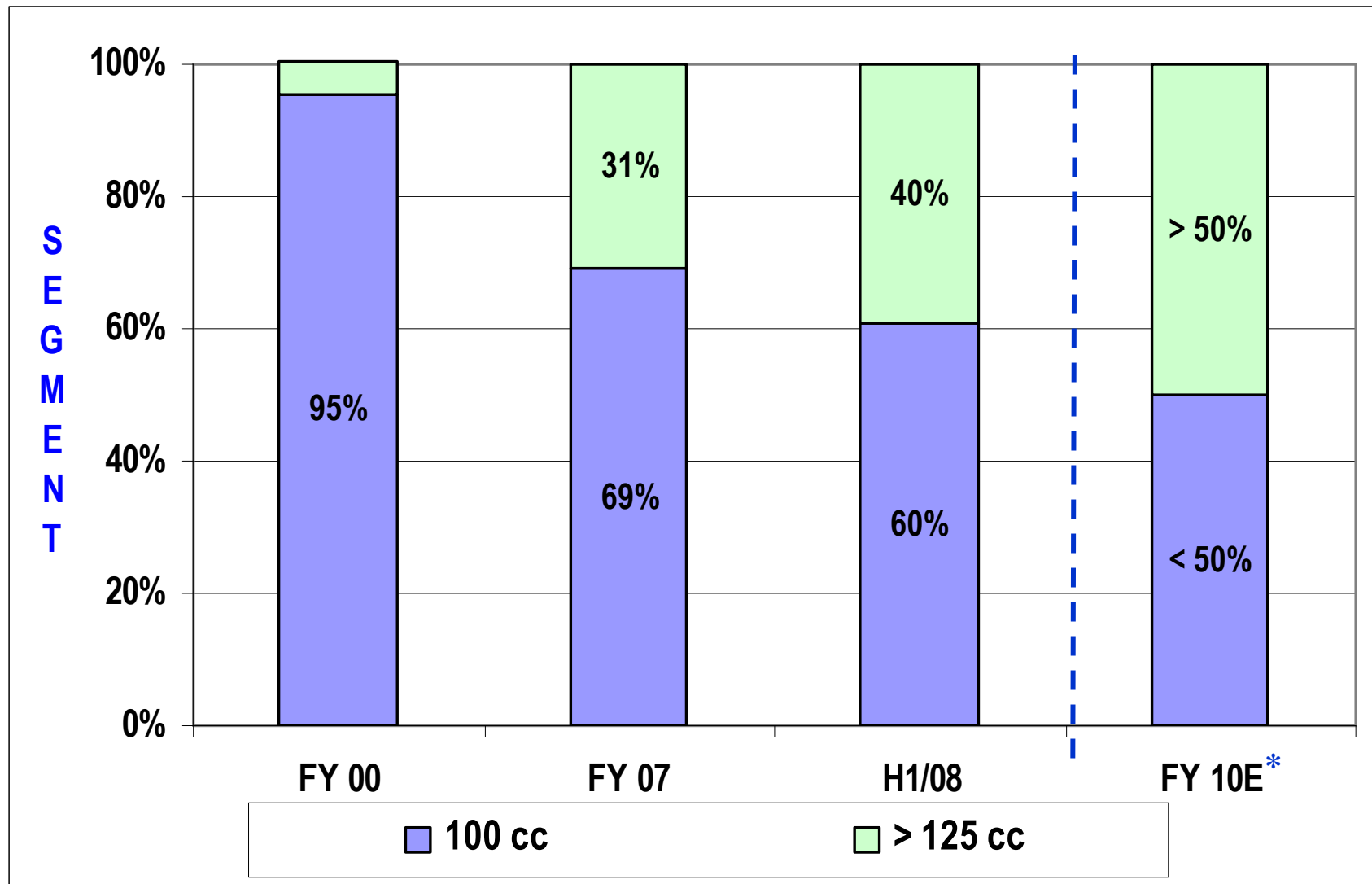
## Product - Profit pyramid



**Bajaj enjoys 47% market share in the profitable, “125cc plus” segment**



# Bajaj driving change



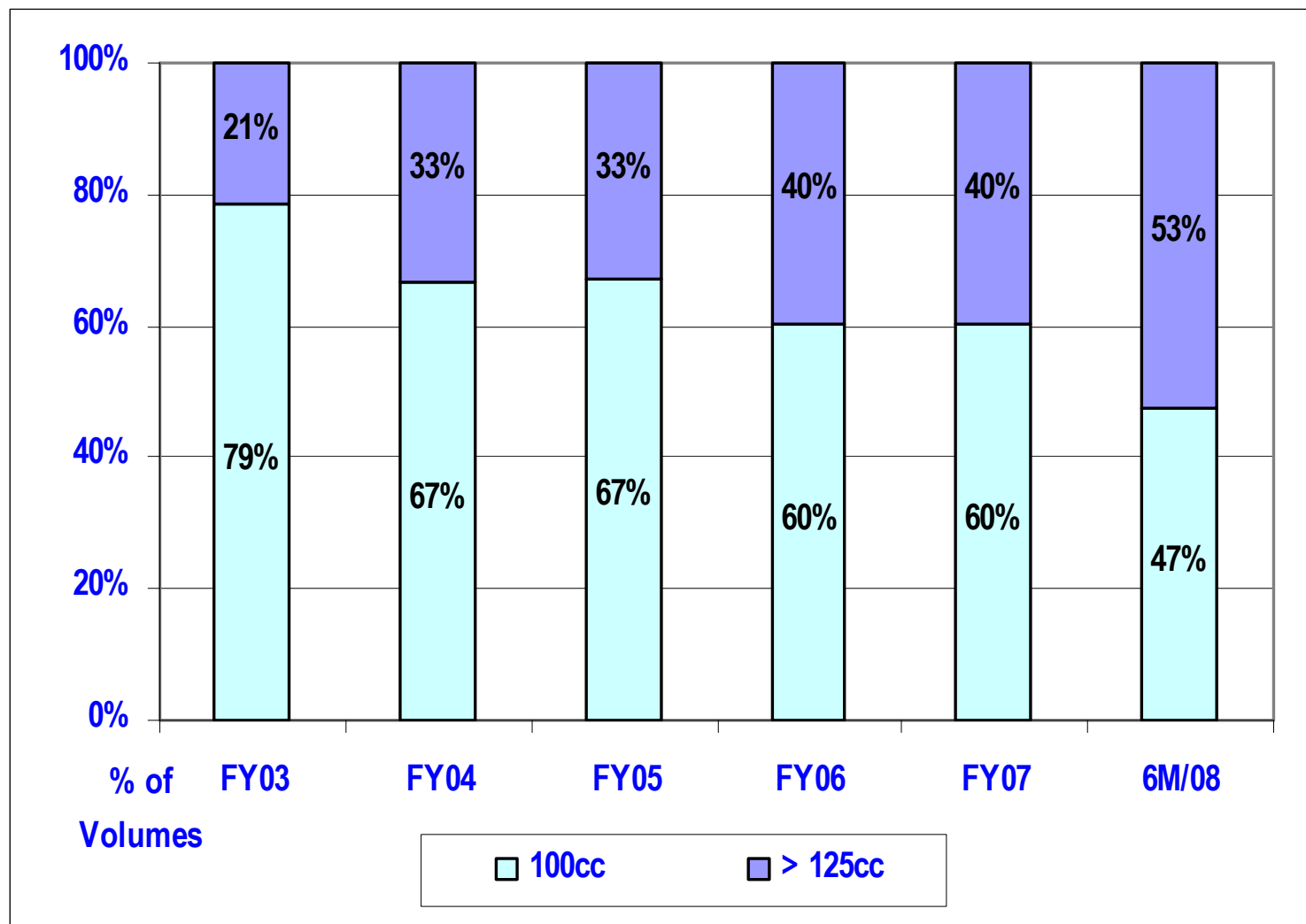
## **BAL strategy** ( contd )

- In pursuing this, launched ...
  - Pulsar 200cc in January 07
  - Discover 135cc in April 07
  - Pulsar 220cc in April 07
  - Avenger 200cc in October 07

**AND**

- Now launched “ XCD ” - 125cc segment

# BAL – shift in motorcycle portfolio



## ... and in segments

### Discover

	FY06	FY07	H1/08	FY08E
110cc	24%	39%	9%	4%
125cc	76%	61%	55%	55%
135cc	0%	0%	36%	41%

### Pulsar

	FY06	FY07	H1/08	FY08E
150cc	86%	75%	59%	55%
180cc	14%	24%	33%	35%
180cc+		1%	8%	10%

## Our latest move

➤ **Upgrading the 100cc customers to 125cc by offering**

- ✓ **Fuel efficiency of 100cc**
- ✓ **Power and performance of 125cc**
- ✓ **Contemporary styling**

**AND**

- ✓ **Cost to company same as 100cc**

**“ Win-win situation for  
the customer and the company ”**



# Comparative Specifications

## Platina

- **4S / 100cc**
- **Max Power - 6.03Kw  
at 7500 RPM**
- **Max Torque – 8.05 Nm  
at 4500 RPM**
- **Mileage – 108 kmpl**

## XCD

- **4S / 125cc**
- **Max Power – 7.01Kw  
at 7000 RPM**
- **Max Torque – 10.85 Nm  
at 5000 RPM**
- **Mileage – 109 kmpl**

**This has been achieved by developing the DTS-Si  
Digital Twin Spark Swirl induction technology,  
*first in the country***

## 3 Wheelers

- **Broad markets are**
  - **Passenger**
    - Regulated
    - Un-regulated
  - **Cargo**
  - **Exports**
- **Dominant player in the regulated market**
- **Full range of passenger and goods carrier**

Numbers in 000's	FY07	FY06
<b>Passenger vehicles</b>		
<u>3-seater</u>		
Industry sales	359	269
Bajaj Auto sales	279	216
Bajaj Auto market share	77.7%	80.3%
<b>Goods carriers</b>		
Industry sales	159	139
Bajaj Auto sales	42	36
Bajaj Auto market share	26.4%	25.9%
<b>Total 3-wheelers</b>		
Industry sales	529	420
Bajaj Auto sales	322	252
<b>Bajaj Auto market share</b>	<b>60.9%</b>	<b>60.0%</b>



## 3 Wheelers ( contd. )

- Exports form 55% of 3 wheeler passenger carriers
- Recent introductions ...
  - Upgraded MEGA in unregulated “ six seater ” segment
  - CNG version of Cargo model
  - To introduce low cost four wheeler cargo carriers, by mid 2009

**Growth over last 5 years : 16% with MS : 60.9%**

# Global market

- **Global market size – 40 million  
( 2005 est.)                      two wheelers**
- **Addressable market size – 90%  
( i.e. engine capacity < 250cc )**
- **Bajaj, 4<sup>th</sup> largest two wheeler and  
largest three wheeler manufacturer**

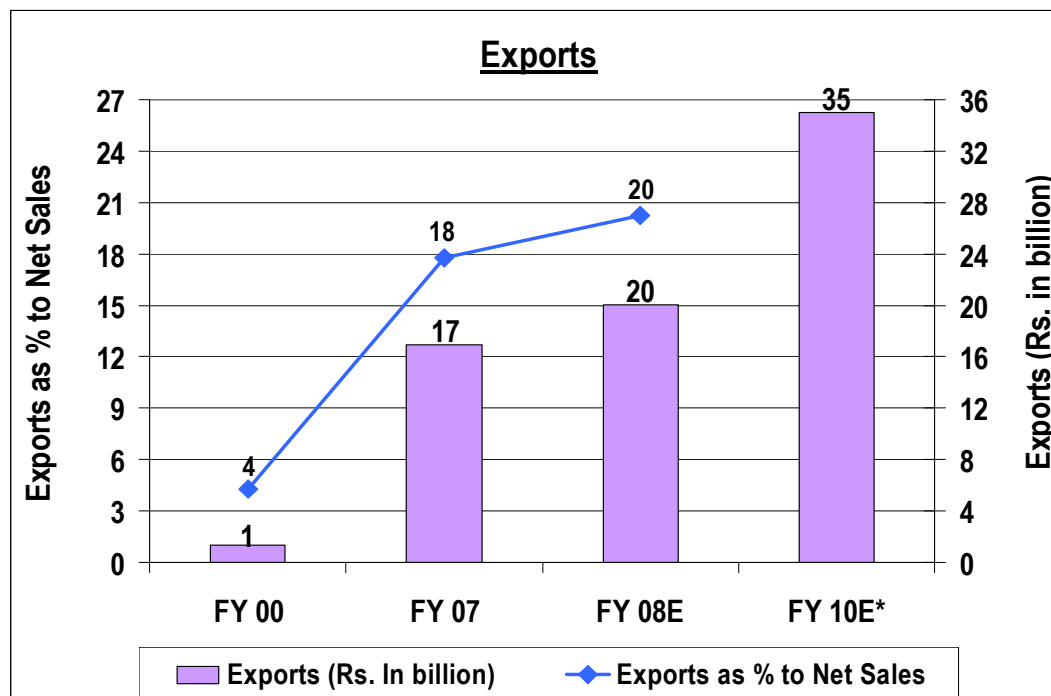
in mln.

	<b>2005</b>
China	17.25
India	7.60
Indonesia	5.11
Rest of Asia	4.71
Brazil	1.21
Italy	0.89
Africa	1.10
Others	2.13
<b>TOTAL</b>	<b>40.00</b>

## Dominant presence in Motorcycles

Country	MS
India	35%
Srilanka	53%
Bangladesh	28%
Columbia	37%
Central America	20%

# Exports



Numbers	6M/08	6M/07	Growth
2 Wheelers	241,529	150,075	61%
3 Wheelers	66,493	60,034	11%
Total	308,022	210,109	47%

# Going forward ...

## Nigeria

- Started sales in July 2006
- Touched 5000 motorcycles in Aug'07
- Dealer network to cover 75% of market by March'08

## Iran

- Domestic partner is largest motorcycle assembler
- Introduced Pulse 180cc in May 2007. Crossed 1000 pm
- To expand product range in Q4 FY08

## Indonesia

- Operations commenced in Aug'06
- Sales of Pulsar 180cc commenced in Nov'06; Crossed 1000 pm
- Currently present in 15 cities
- Increase presence to 50 cities by March 2008

# Financials

Rs in billions	Q2 / FY08	Q2 / FY07	H1 / FY08	H1 / FY07	FY07
Net sales & Other income	23.62	24.36	44.71	46.39	95.20
Treasury & Others	1.47	1.42	2.50	2.37	5.56
<b>Total Turnover</b>	<b>25.09</b>	<b>25.78</b>	<b>47.21</b>	<b>48.76</b>	<b>100.76</b>
Gross Profit - Auto	3.71	3.65	6.48	7.27	14.25
- Treasury & Others	1.45	1.41	2.46	2.34	5.42
<b>- Total</b>	<b>5.16</b>	<b>5.06</b>	<b>8.94</b>	<b>9.61</b>	<b>19.67</b>
Interest & Depreciation	0.48	0.49	0.97	0.97	1.96
VRS, Exports incentive w/back		0.13		0.24	0.44
<b>Profit before tax</b>	<b>4.68</b>	<b>4.44</b>	<b>7.97</b>	<b>8.40</b>	<b>17.28</b>
Provision for taxation	1.32	1.25	2.35	2.55	4.90
Prior period adj, net					(0.01)
<b>Net profit for the year</b>	<b>3.36</b>	<b>3.19</b>	<b>5.63</b>	<b>5.85</b>	<b>12.37</b>
EPS ( not annualised )	33.2	31.4	55.6	57.7	122.3
<b>Dividend</b>					<b>400%</b>

# Margins

	Operating EBITDA			
	FY08		FY07	
	Rs. in billion	%	Rs. in billion	%
Q1	2.77	13.2	3.64	16.5
Q2	3.72	15.8	3.67	15.1
Q3			3.66	14.2
Q4			3.34	14.5
Average	6.49	14.5	14.31	15.0

# Outlook

- Favorable product mix further enhanced with launch of “ XCD ”
- Tax benefits - Pantnagar plant
- Additional export incentive by government
- Higher volumes from Q3
- Price increase on major products

## Concern

- Price cuts in 100cc segment
- Outlook on steel / material inputs

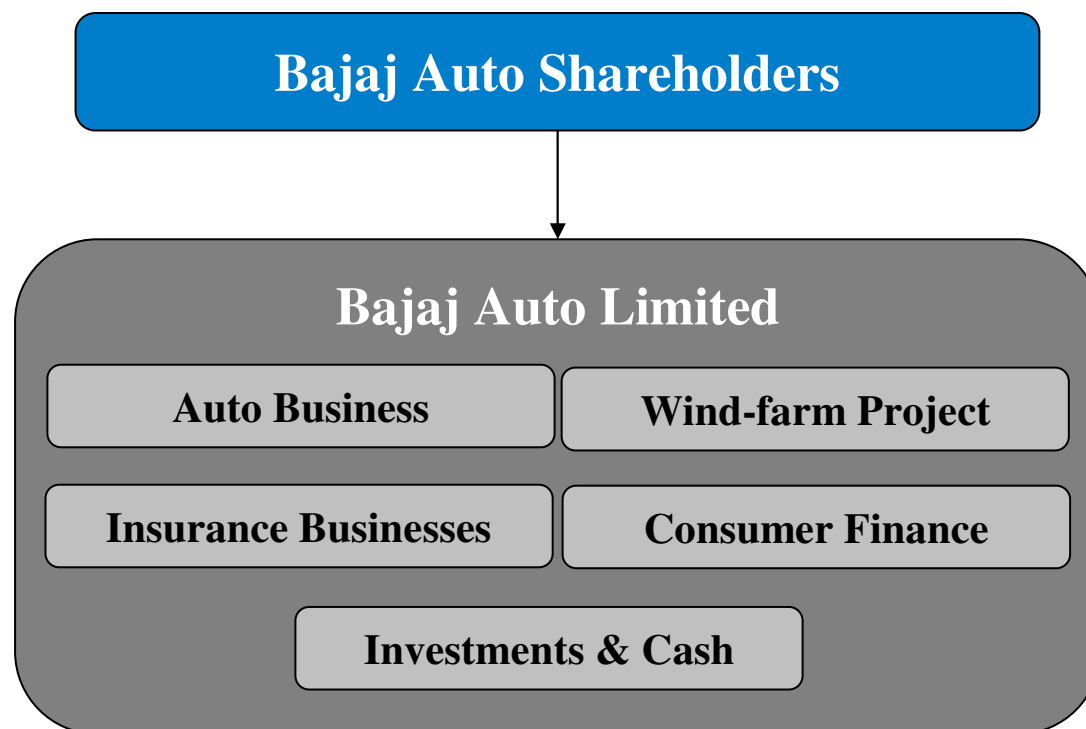


# Investments

Investment Portfolio Rs in billion	As of	
	Sept 2007	March 2000
Fixed income investments	36.4	18.4
Equity shares & equity based mutual funds	28.0	6.4
<b>Total cost</b>	<b>64.4</b>	<b>24.8</b>
Market Value	94.7	28.1

# Status of De-merger

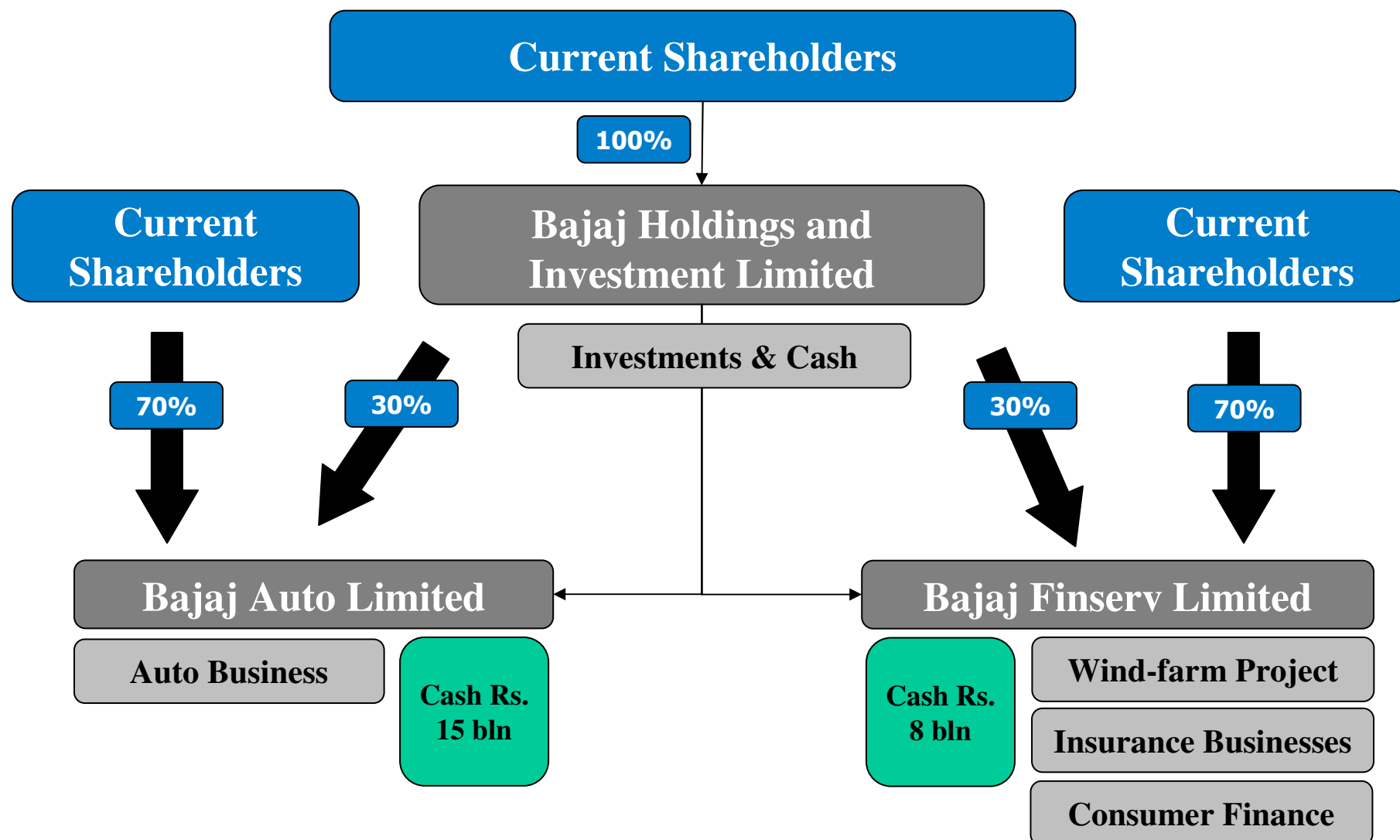
# Current Structure



# Rationale of the De-merger

- Greater management focus on :
  - Auto business
  - Financial Services
  - Investment Company
- Enable investors to hold focused stocks and participate in pure play auto and / or financial services
- More transparent benchmarking to peers in their respective industries.

# Revised Structure



# The emerging equity capital

Company	No. of Shares (Million)	Face Value (Rs.)	Value (Rs. Million)	Direct holding by existing shareholders
Bajaj Holdings and Investment Ltd. (erstwhile Bajaj Auto Ltd.)	101.18	10	1011.8	100%
Bajaj Auto Limited (New)*	144.68	10	1446.8	70%
Bajaj Finserv Limited*	144.68	5	723.4	70%

\* 30% shares will be held by Bajaj Holdings and Investment Limited

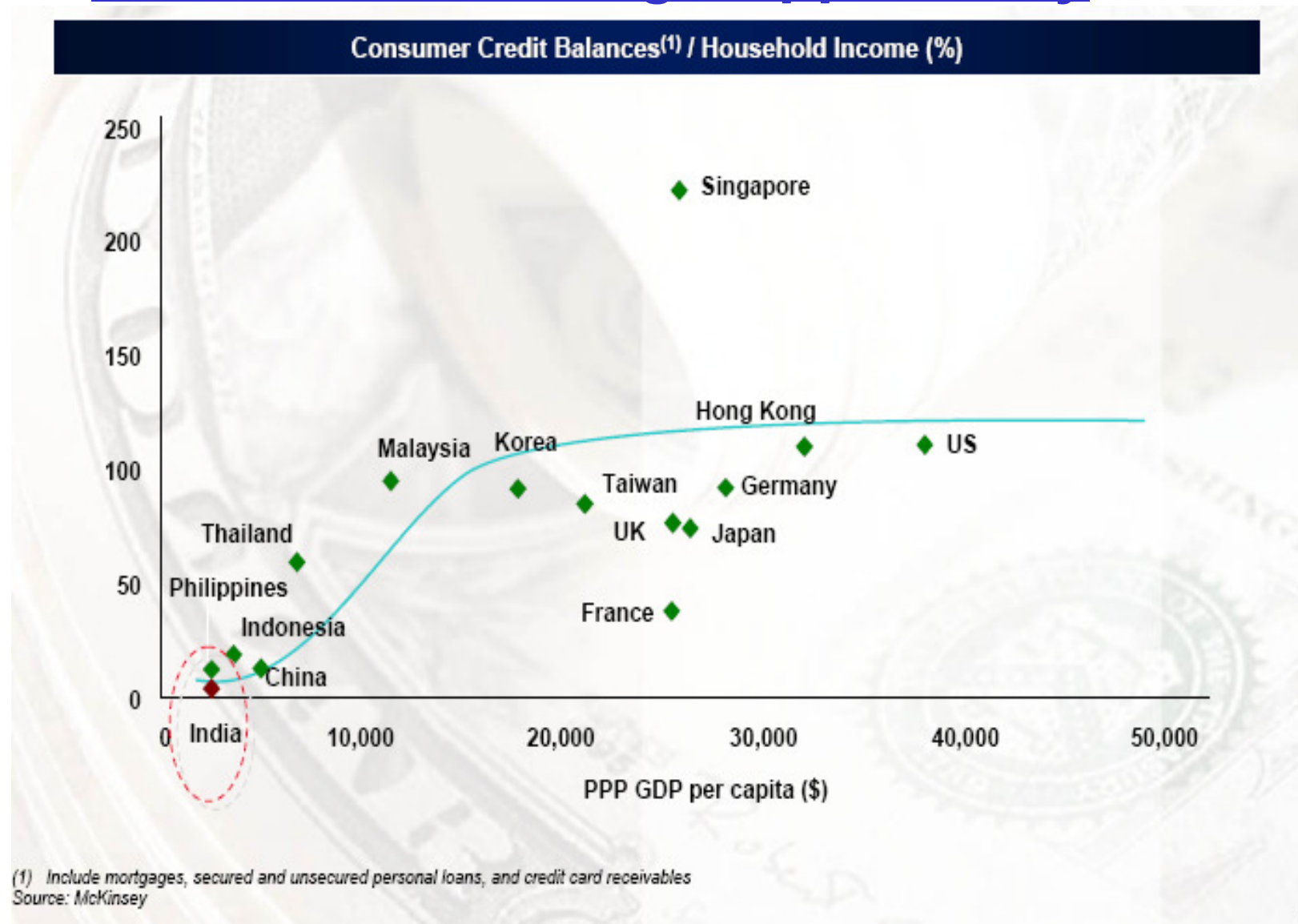
## Broad Schedule

- **Board Approval of Scheme : 17 May 2007**
- **Stock Exchange Approval : 15 June 2007**
- **Court Directions for shareholders' and creditors' meetings : 6 July 07**
- **Court convened meeting : 18 August 07**
- **Court hearing : October 07**
- **Listing of shares of new Co's : Q4 / FY 08**

# RETAIL FINANCING



# Retail Credit - Huge Opportunity



# Growth journey

## ➤ FY 00

- An extended marketing tool for 2 wheelers manufactured by BAL
- 53% disbursements in automobile segment
- No. of branches – 39 covering 39 locations
- No. of employees - 223

## ➤ FY 08

- Leading NBFC
- National presence -  
116 branches across 20 states  
308 satellite locations
- No. of employees - 1,200
- Market leader in personal computer and consumer durable finance
- 37 “ Shoppes ” - finance outlets for direct sales

## Significant indicators ...

Rs. in billion	FY 00	FY 06	FY 07
Gross receivable from financed assets	4.0	19.8	27.6
Net assets under finance	2.9	16.8	24.0
Borrowings	2.7	10.2	16.2
Net Worth	1.6	5.0	10.0
Capital Adequacy Ratio	33.9%	28.1%	46.7%
NPA as a % of assets financed	1.8%	3.3%	4.8%
Average cost of borrowing	< 7%		7.6%

Government  
norm : 12.5

# Currently in process ...

## Consolidating our strength

- Strengthening management bandwidth
- Investing in technology
- Strengthening processes and controls
- Re-vamping branch network

## Raising funds

### ➤ FY 06

- Preferential allotment to promoters and FI's  
Funds raised - Rs. 2.1 billion

### ➤ FY 07

- Rights issue : Funds raised - Rs. 4.1 billion
- Non-convertible Debentures with detachable warrants : Funds raised - Rs. 2.6 billion

# Going forward ...

## ➤ FY 10

- Expand retail products and geographical reach
- Increase penetration in rural and semi-urban markets
- Maintaining leadership in 2 wheeler financing
- Tap the growth potential to finance consumer durables, offer personal loans
- Explore new growth avenues in consumer finance

## Highlights for Q2 / FY08

- **Disbursements - 32%↑ to Rs. 7.5 billion**
- **Number of customers acquired - 35%↑**
- **Assets under finance - Rs. 31.2 billion**
- **Total Income - 50%↑ to Rs. 1.23 billion**
- **Profit before tax - Rs. 62.6 million against  
Rs. 90.9 million in Q2 / FY07**

# Bajaj Allianz Insurance Business

# **AGENDA**

**The Indian Insurance opportunity**

**The Bajaj Allianz growth story**

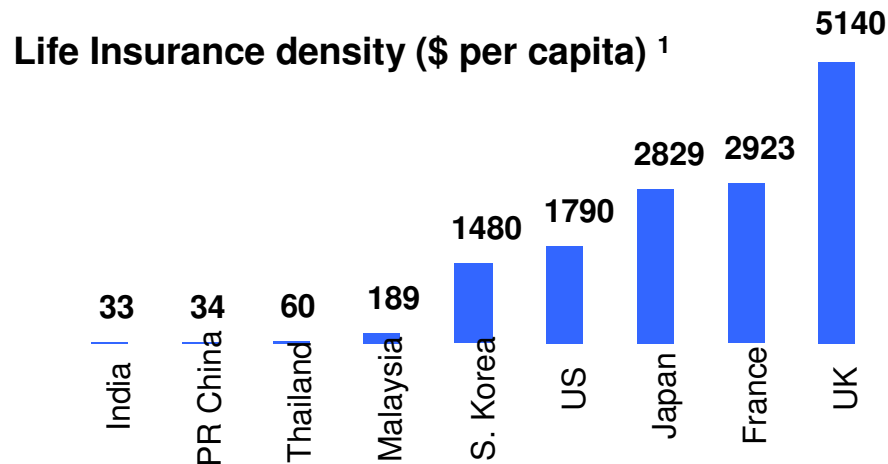
**Bajaj Allianz Life**

**Bajaj Allianz General**

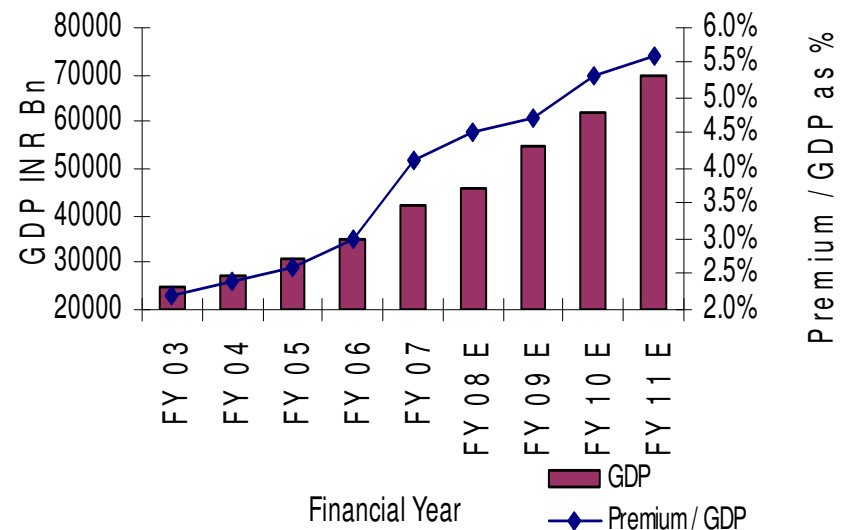


# The Indian Insurance opportunity

# The life insurance opportunity



**Low density, strong GDP growth and growing penetration = favourable climate for Life Insurance growth.**

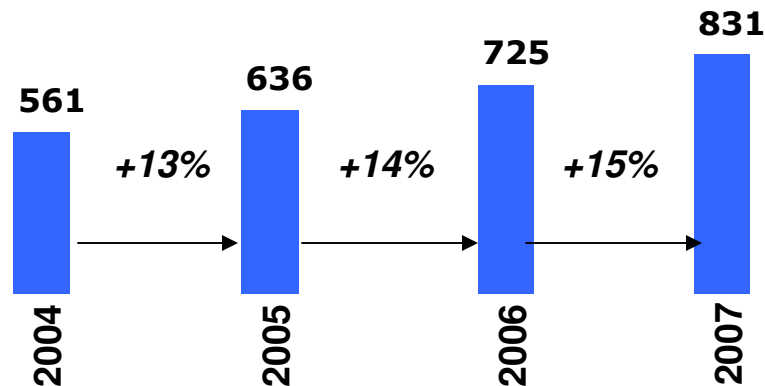


1 -Life insurance density – Swiss Re Sigma report 2006

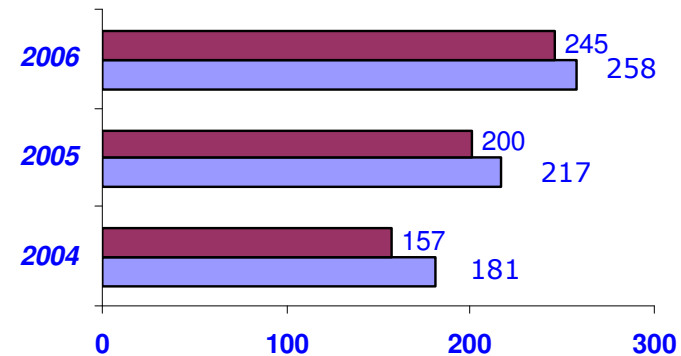
2- Estimates by JP Morgan Associates

# GDP, savings drive non-life growth

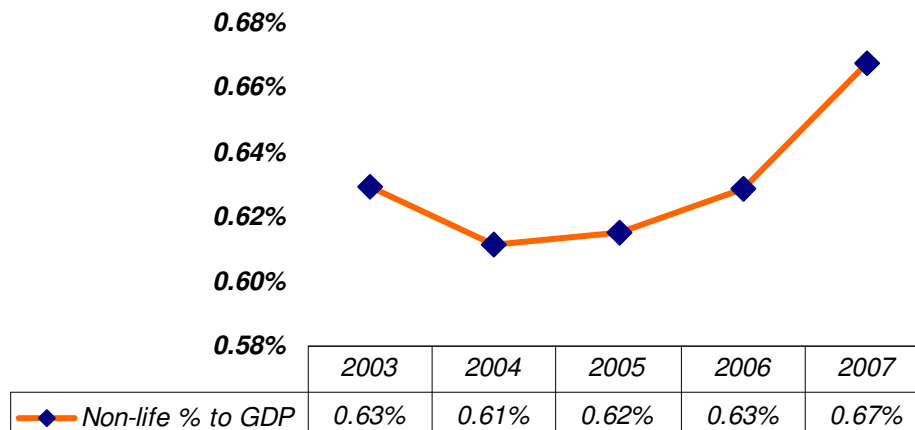
**Nominal GDP (USD Bn)**



**Savings and Investments (USD Bn)**



**Non-life % to GDP**

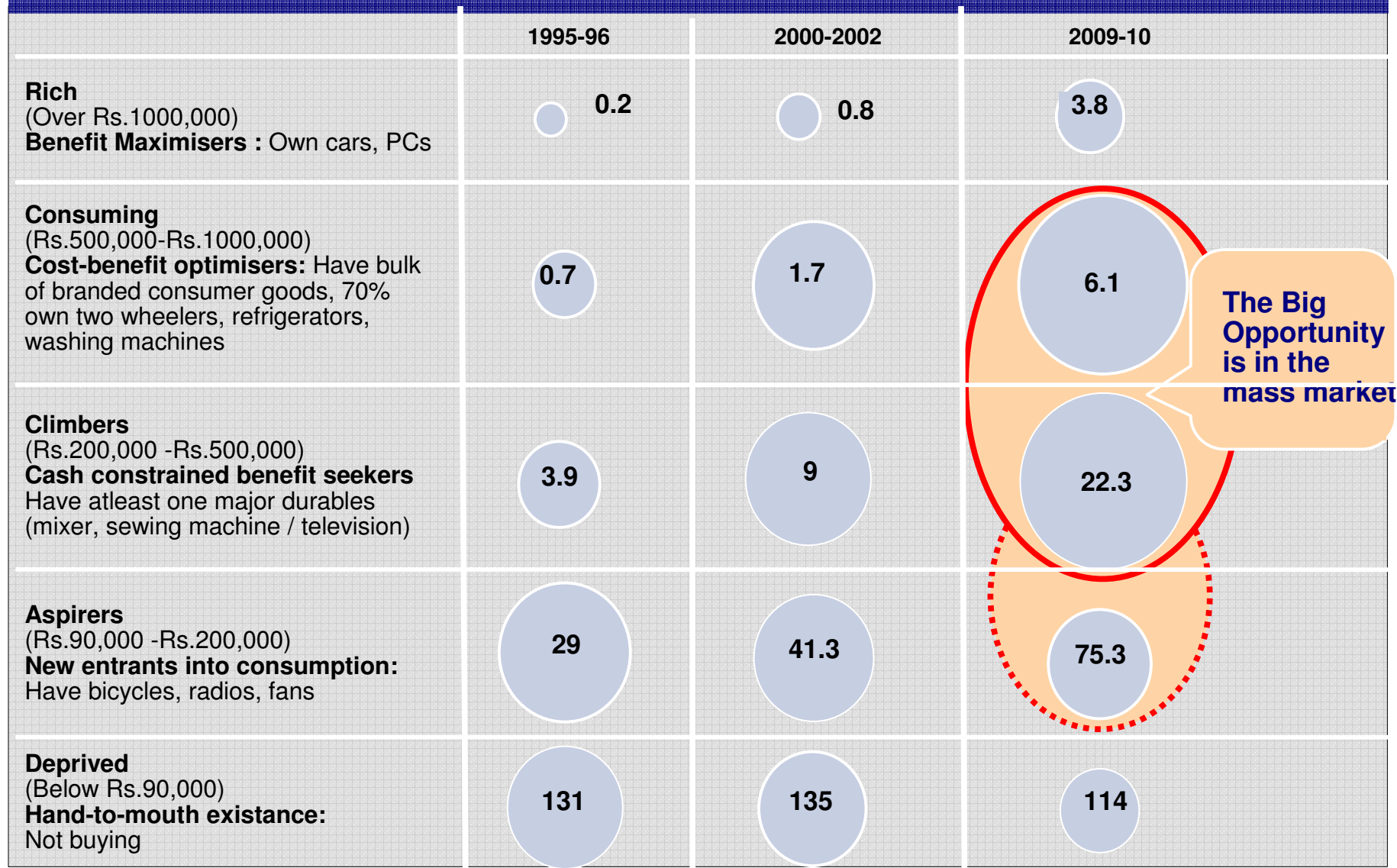


**Strong GDP growth,  
Higher savings and  
investments = conducive  
climate for rapid  
insurance growth.  
Non-life penetration  
remains low as a  
percentage to GDP.**

Source: RBI Annual report 2006/07

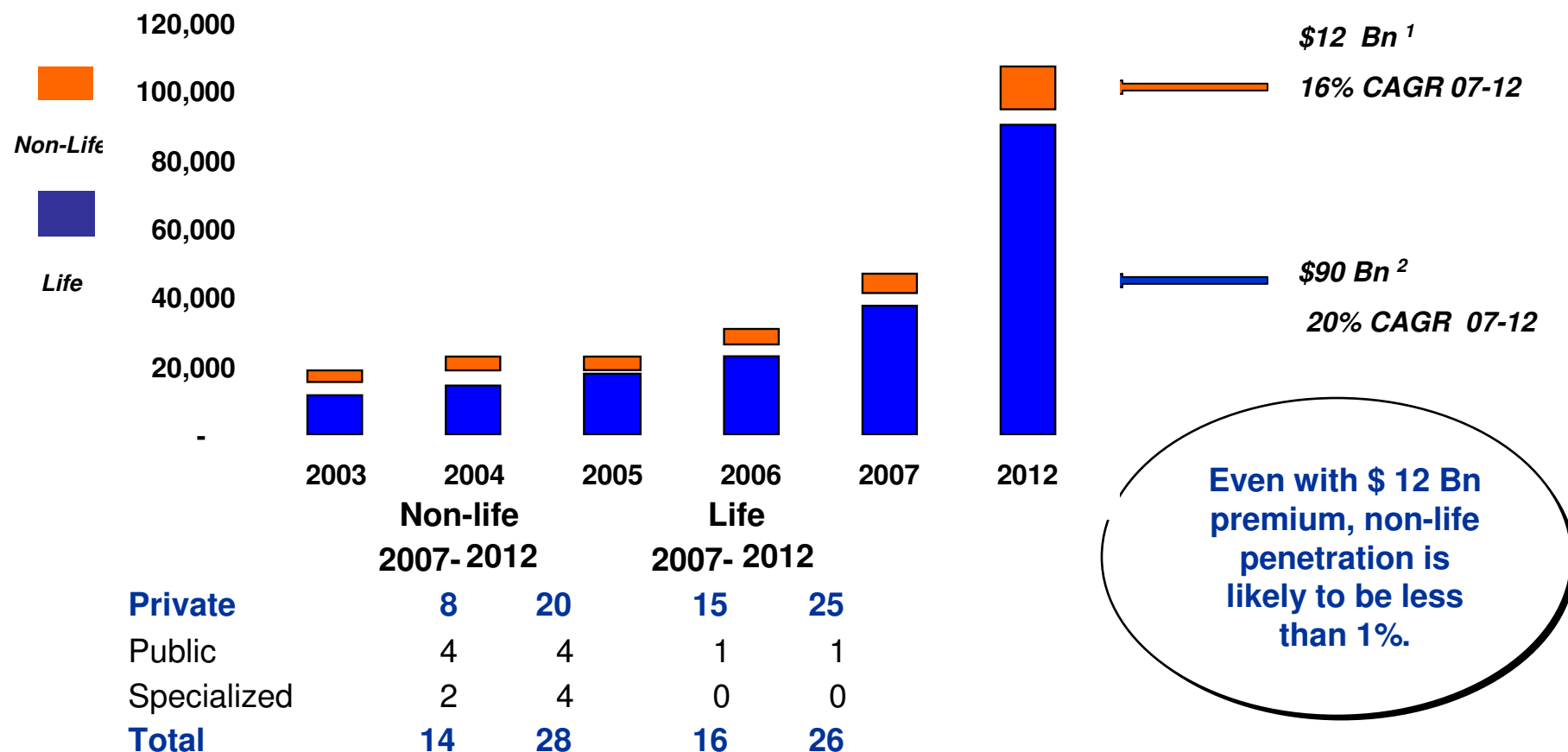
# The great Indian middle class

## MAPPING INDIA'S INCOME CLASSES (in million households)



# The Indian Insurance industry – past, present and future

India premiums - \$ Bn



1 – Swiss Re estimates extended by 1 year – ASSOCHAM estimates 2010 extended by 2 years

2 – Mckinsey estimate 2011 \$ 80 Bn - \$ 100 Bn – we have considered \$80 Bn plus 12.5% growth in 2012

Fiscal year ending 31 March

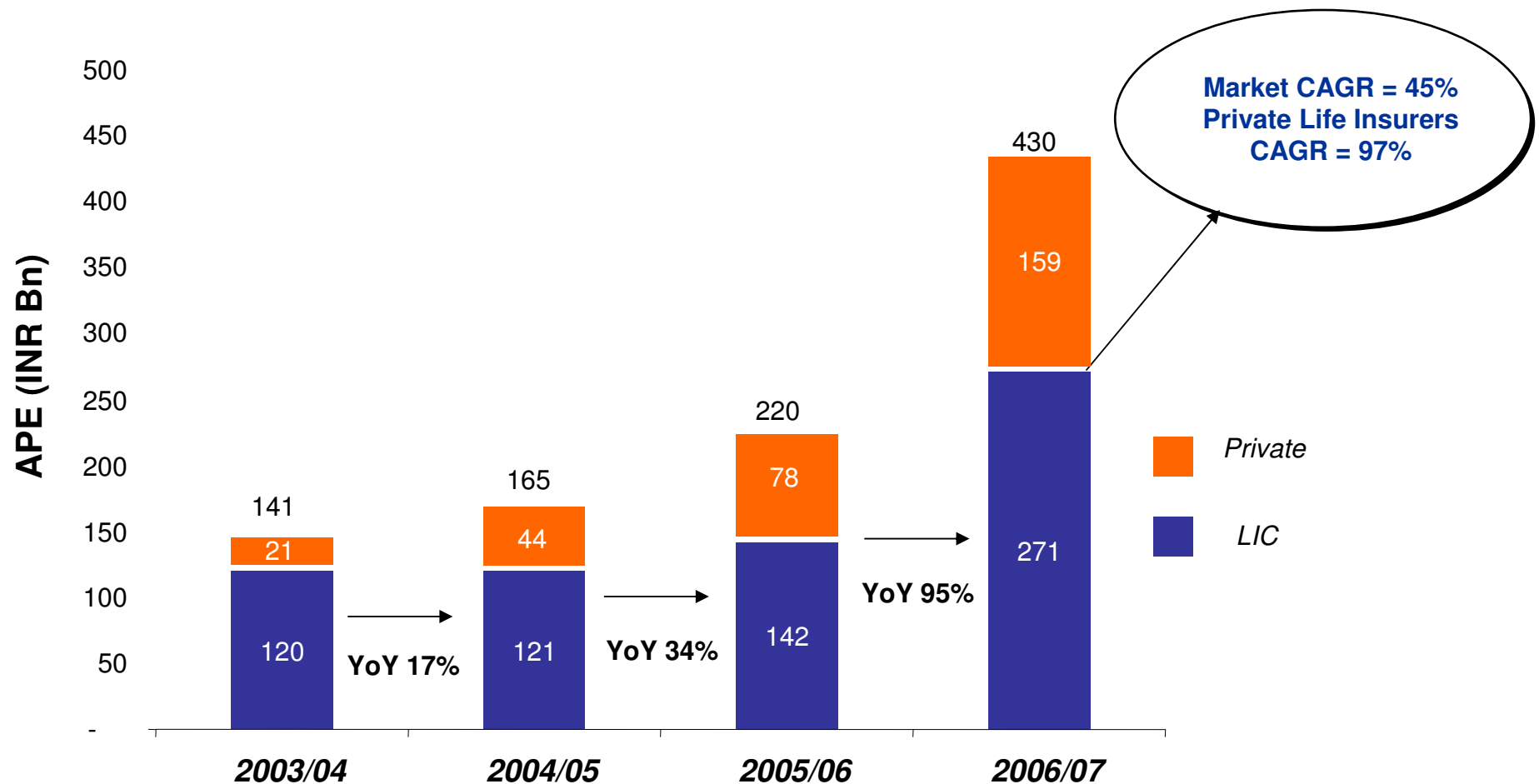
## **The Bajaj Allianz growth story**

# Building the Bajaj Allianz brand

Insurance environment until 2001	Start of Bajaj-Allianz JV	What we did differently compared to our peers
<b>Non-Life market</b> <ul style="list-style-type: none"> <li>▪ Agency the only distribution channel</li> <li>▪ 90% of business done directly through 4,000 offices of government companies</li> <li>▪ No product innovation</li> <li>▪ No incentive for good service</li> <li>▪ Cashless claim settlement was unheard of</li> </ul>	<b>Non-Life</b> <ul style="list-style-type: none"> <li>▪ Focus on retail</li> <li>▪ Pioneered several innovative services</li> <li>▪ Tie-up with non-traditional channels for distribution of products like motor dealers and manufacturers, travel agents, banks</li> </ul>	<b>Non-Life</b> <ul style="list-style-type: none"> <li>▪ Tie-up with motor dealers and manufacturers to increase volumes</li> <li>▪ Leverage IT and focus on IT-enabled systems</li> <li>▪ Create image for transparency and innovation</li> <li>▪ OPEX (Operational Excellence) methodology (claims handling, customer services)</li> </ul>
<b>Life market</b> <ul style="list-style-type: none"> <li>▪ Only one Life company<sup>1</sup> was operating till 2001</li> <li>▪ Products like unit linked policies did not exist</li> </ul>	<b>Life</b> <ul style="list-style-type: none"> <li>▪ Minimize set-up costs for distribution → e.g. Banyan tree</li> <li>▪ Fast roll out for pan-Indian presence</li> </ul>	<b>Life</b> <ul style="list-style-type: none"> <li>▪ Fast and nationwide roll-out of branches to leverage cross-sell/ up-sell</li> <li>▪ Focus not only on tier 1, but also on tier 2 + 3 cities</li> </ul>

1) Life insurance corporation (state owned company)

## The life insurance market growth (Rs Bn)



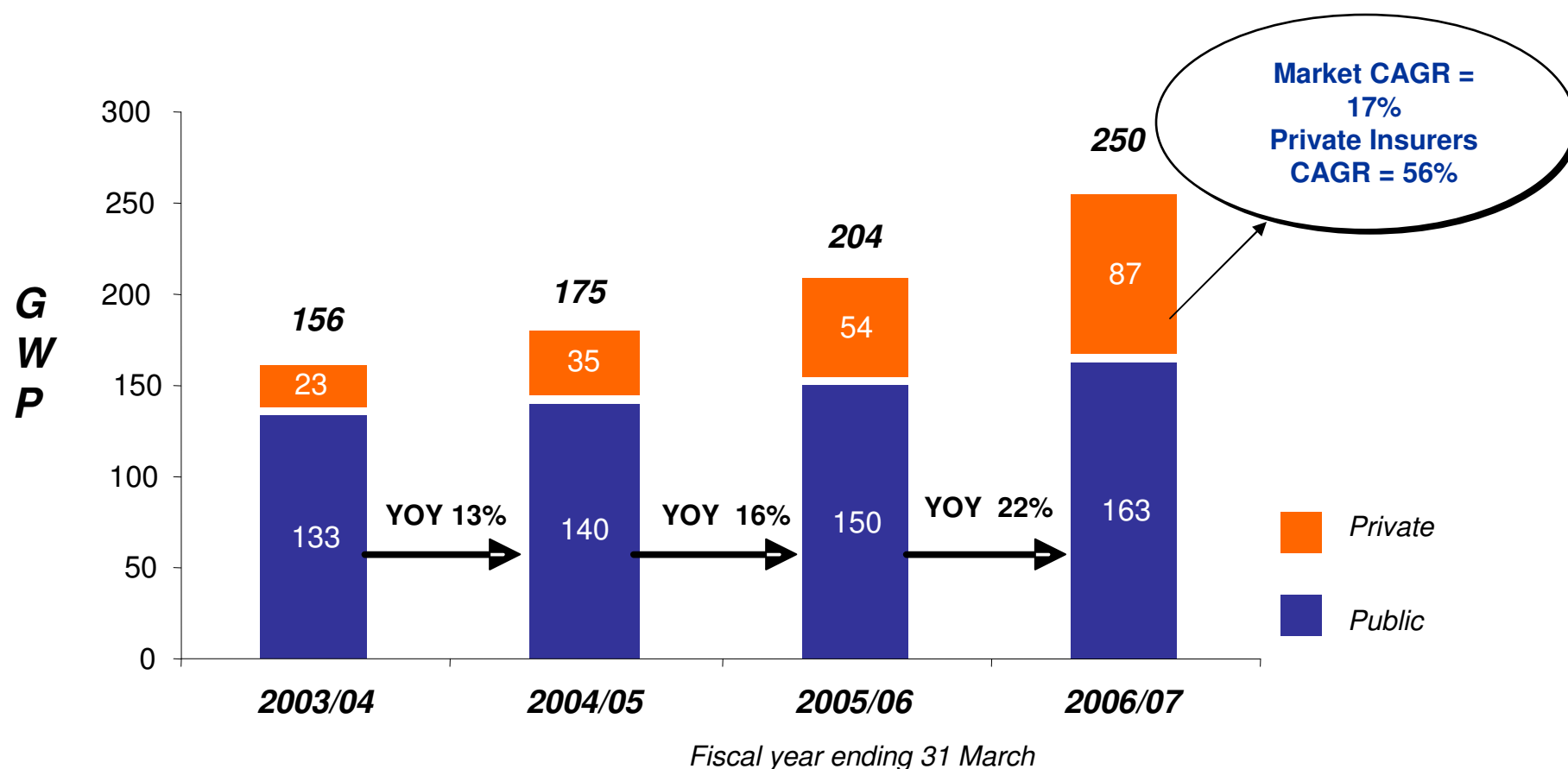
\*Source: IRDA website.

\*APE = 10% of Single Premium  
+ 100% of Regular Premium

**Private insurer's share increased from 15% to 37% in 4 years**

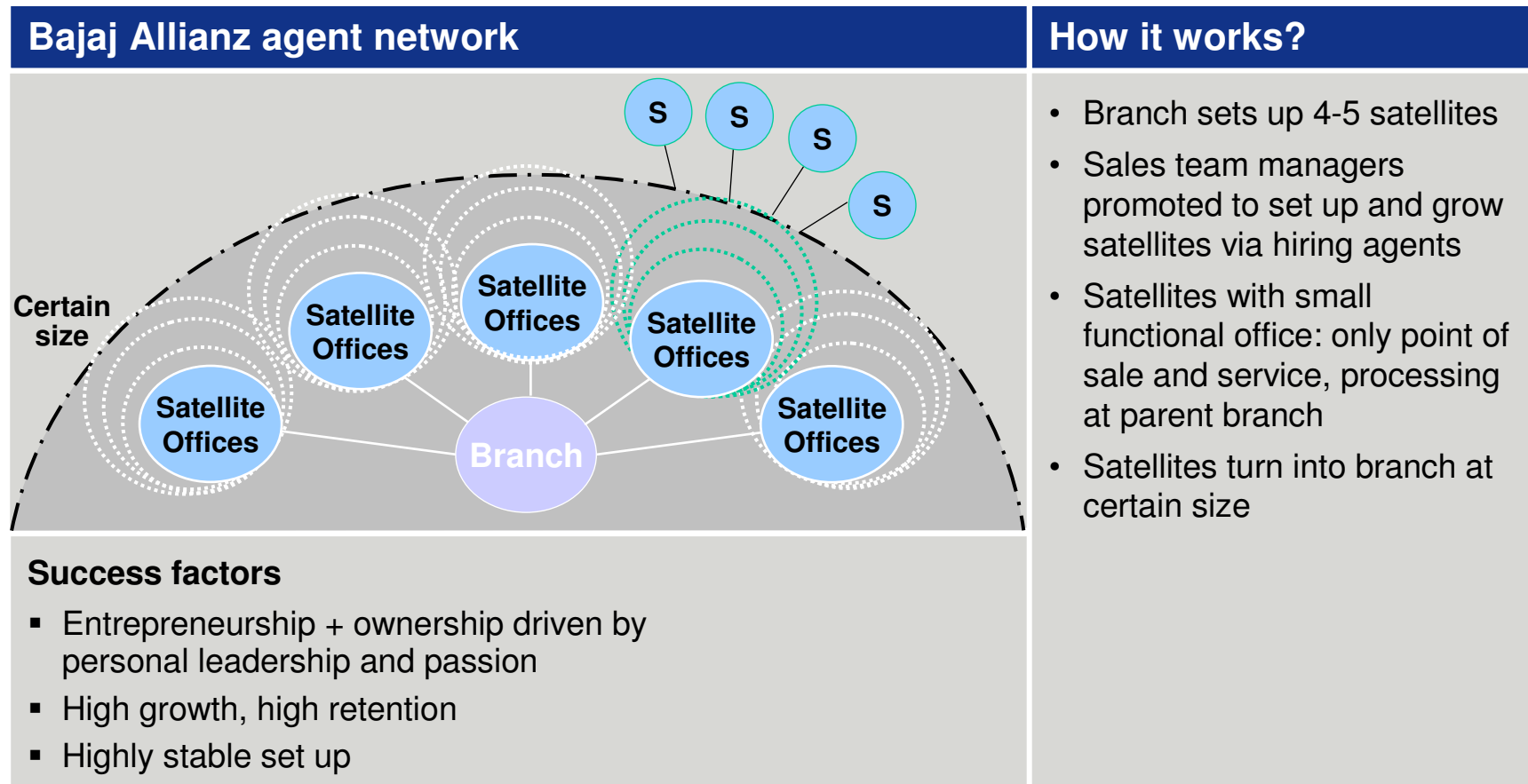


# The non-life insurance market growth (Rs Bn)



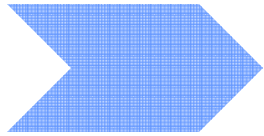
**Private sector insurer's share increased from 10% to 35% in 4 years**

# The Banyan-tree agent network

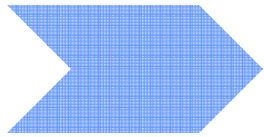


***The Banyan tree creates a solid foundation for the distribution network***

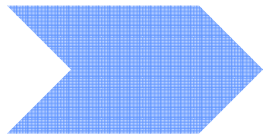
## Bajaj Allianz – a trusted brand



*Bajaj Allianz included amongst top 50 service brands in the Economic Times Brand Equity survey conducted by AC Nielsen- ORG Marg*



*Bajaj Allianz General ranked number 2 amongst all insurers in the 2006 Business India survey of most admired companies*

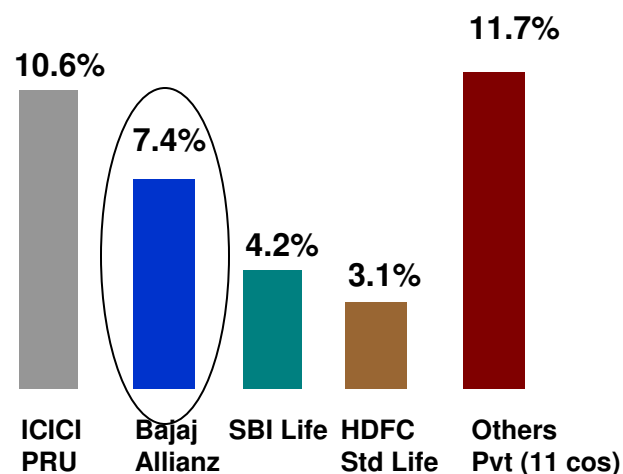


*Bajaj Allianz General Rated iAAA in claims paying ability for last 2 years by ICRA, an associate of Moody's and one of India's leading credit rating agencies*

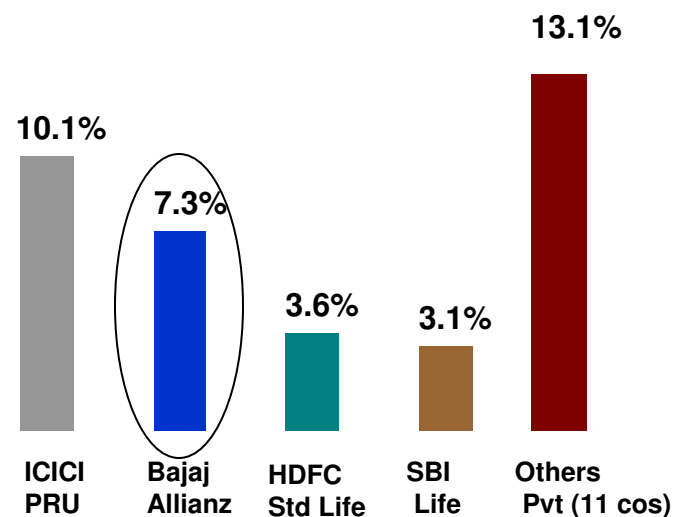
# Bajaj Allianz Life

# Bajaj Allianz Life - Market shares \*\*

**Market Share 2006/07**



**Market Share 2007/08 (Apr-Aug 07)**



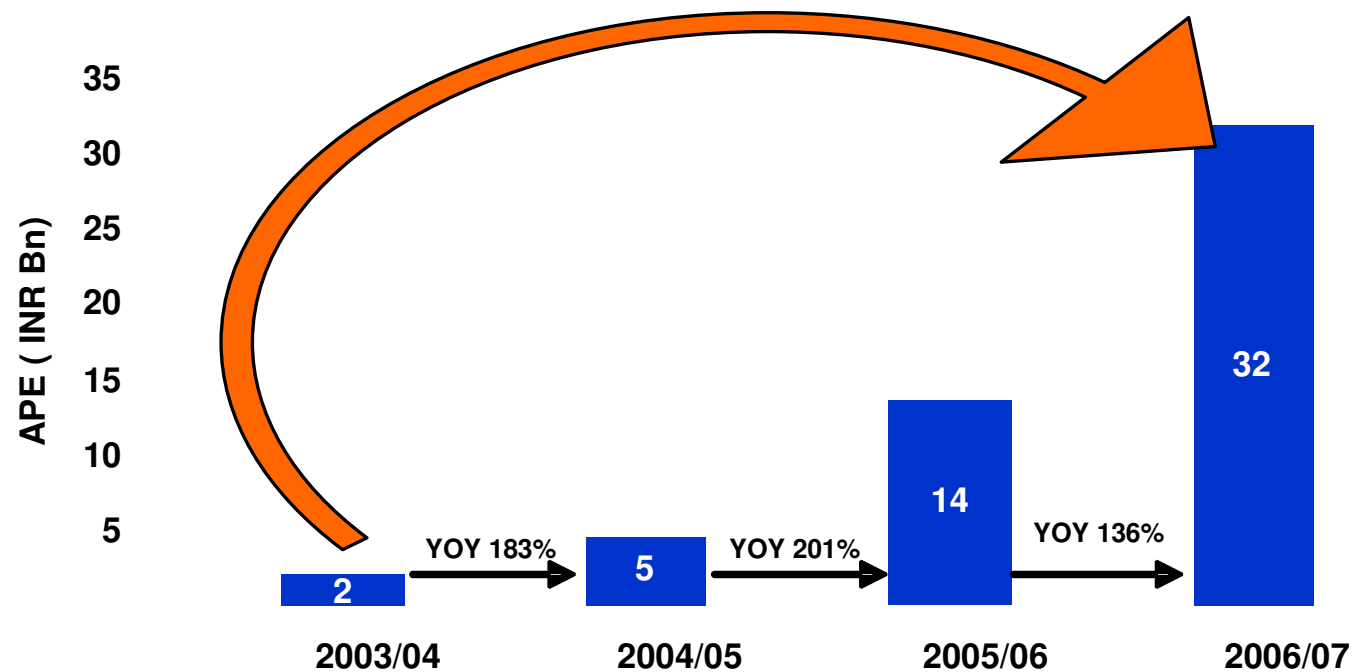
- o **Top 2 private companies accounted for 50% of private market**
- o **Bottom 11 companies accounted for less than one third**

Source: IRDA website.

\*\* Based on APE = 10% of Single Premium + 100% of Regular Premium

Fiscal year ending 31 March – YTD up to 30 Sep

## Bajaj Allianz Life - the growth story (Rs Bn)



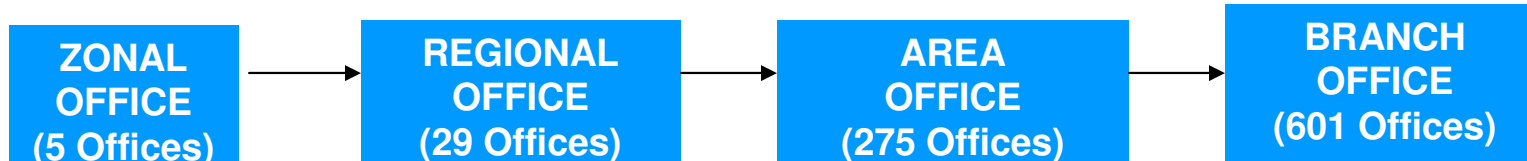
***Ranked number 2 in the private sector for 3<sup>rd</sup> year running***

Source: IRDA website.

# Bajaj Allianz Life – Multi distribution channels

## AGENCY

*Bajaj Allianz has a large network of 229,000 licensed agents, which is the second largest in the private sector*



### Bancassurance

- Standard Chartered
- Syndicate Bank
- GE Money
- PNB Principal advisory
- 6 others

### Alternate

- 200 corporate agents
- 2000 franchisees
- 60 co-operative banks
- Brokers and others

# Bajaj Allianz Life

## 2006/07 Financials compared to peers

1 USD = INR 40

Private Life Insurers	GWP		NB Premium		Surplus/Deficit		Share Capital		AUM	
	INR Bn	USD Mn	INR Bn	USD Mn	INR Bn	USD Mn	INR Bn	USD Mn	INR Bn	USD Mn
ICICI Prudential	79.12	1,978	51.61	1,290	(5.13)	(128)	20.71	518	157.50	3,938
Bajaj Allianz	53.09	1,327	42.69	1,067	0.63	16	7.00	175	67.45	1,686
HDFC Standard Life	28.55	714	16.48	412	(1.22)	(31)	8.07	202	47.81	1,195
SBI Life	29.29	732	25.66	642	0.03	1	5.00	125	47.41	1,185

**•Bajaj Allianz Life reported a profit \* of Rs 0.63 Bn in 2006/07 as it has an expense under-run**

**•Number 1 company in terms of new business policies issued amongst private sector (over 2 million policies issued)**

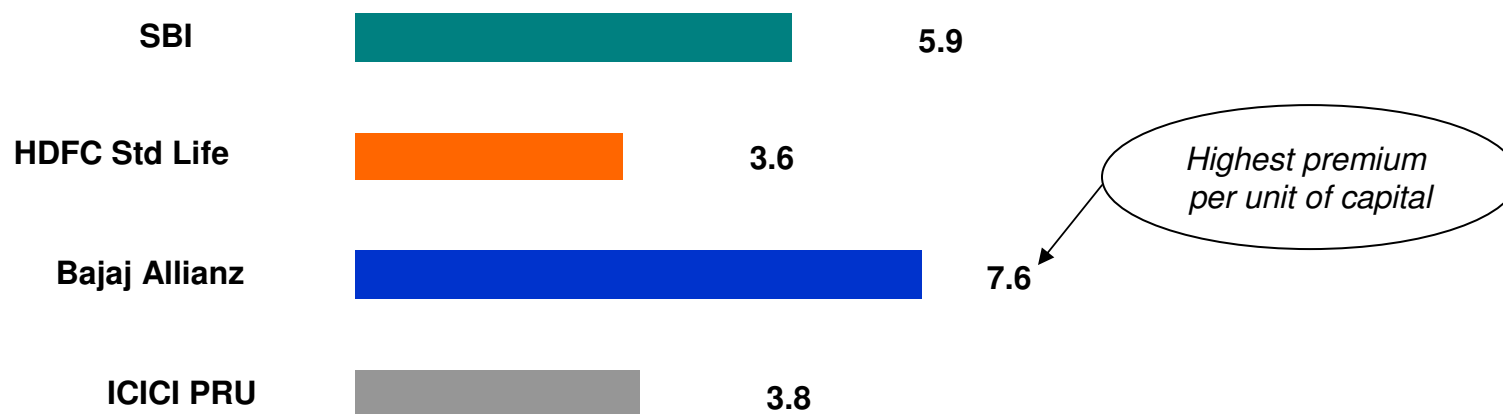
Source: Audited Financials 2006-07

\* The deficit/ surplus is inclusive of traditional policyholder, unit-linked policyholder and shareholder deficit/ surplus.



## Bajaj Allianz Life - Efficient capital management

### Gross Written Premium to Share Capital



## Bajaj Allianz Life – Milestones 2006/07



### Growth rate

- Consistently high growth rate – over 175% growth for 3<sup>rd</sup> year in succession



### Strong NBAP

- Growth is backed by strongly positive NBAP.



### Profitability

- Highest Profit making Private sector Life Insurance Company \*\*

• *Policyholders' surplus / (deficit) + Shareholder's profit / (loss)*

\*\* *Excludes transfer of INR 30 Mn. of Policyholders' surplus to Shareholder's*

## Bajaj Allianz Life – Way forward

### **Smart distribution**

- Increase offices to 1100 from 876 by the end of Dec'07
- Agent strength – stabilize at 250,000 with 12000 sales managers by the end of Dec'07
- Expand franchisees and corporate agents network
- Seek 10 new bank tie-ups (co-op/other)
- Direct marketing

### **Diversified product range**

- Launch new products – with varying allocations and choices
- New health products

### **Customer Solutions/ efficiency**

- Establish at least 2 regional operations hubs for better service
- Strengthen IT and data warehouse
- Ideas to Success (i2s) programme for innovation and cost savings
- Customer Focus Unit being established

## Bajaj Allianz Life –Challenges



### **Distribution**

- Other companies have also started entering Tier 2 and Tier 3 cities and towns



### **Products**

- Niche products for niche customer segments



### **Competition**

- New entrants focussed on market share acquisition
- Fight for limited available talent



### **Customer solutions**

- Expanding IT solutions
- Customer service and volume handling

# Bajaj Allianz Life

## Profit and Loss summary – H1 2007/08

	Apr-Sep 07	Apr-Sep 07	Apr-Sep 06	Apr-Sep 06	2006/07 full year	2006/07 full year
	INR Bn	USD Mn	INR Bn	USD Mn	INR Bn	USD Mn
Profit/(Loss)	0.88	22	-0.32	-8	0.63	16
Gross Written Premium	30.61	765	16.11	403	53.10	1,328
New Business Premium	22.65	566	13.07	327	42.70	1,068
Annualised Premium equivalent (APE)	20.42	510	8.28	207	32.03	801
No of policies('000)	1,544		491		2,079	

# Bajaj Allianz Life

## Assets under Management 30 Sep 2007

	<b>Sep-07 INR Bn</b>	<b>Sep- 07 USD Mn</b>	<b>Mar - 07 INR Bn</b>	<b>Mar - 07 USD Mn</b>
Shareholders	11.68	292	6.53	163
Traditional policyholders	11.77	294	9.05	226
Unit-linked	76.48	1,912	51.86	1,297
Total	99.93	2,498	67.44	1,686
Shareholder and Policyholder Current Yield (annualised)	8%		7%	

# Bajaj Allianz Life

## New Business Achieved Profit (Apr-Sep 2007)

**New Business Achieved Profit INR 4,421 million**

### **Economic Assumptions**

Particulars	Assumptions	
Cash/Money Market/TB	5.00%	p.a.
Govt Securities	8.00%	p.a.
Corporate Bond	8.50%	p.a.
Equities	12.00%	p.a.
Inflation	5.00%	p.a.
Risk Discount rate	13.25%	p.a.
Tax rate	12.50% (plus 10% surcharge and 3% education cess)	p.a.

### **Operating Assumptions**

- Operating assumptions like mortality, morbidity and lapses are based on industry / reinsures experience and validated against our own experience so far.
- Expense assumptions are based on our own expense projection model.

## New Business Achieved Profit (NBAP) (contd.)

### Sensitivity

The sensitivity of the New Business Achieved Profit to Economic assumptions is given below:

Particulars	Base Value	INR Mn	
		+1%	-1%
Investment Income	4,421	4,785	4,026
Risk Discount Rate	4,421	3,939	4,966

### Further Consideration

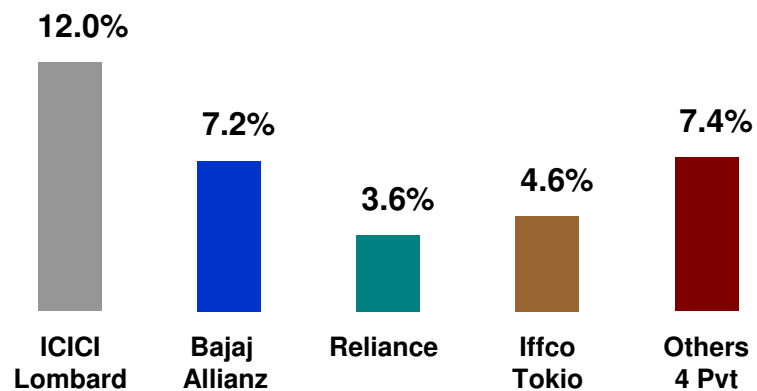
- Company is experiencing acquisition expenses under run and this has not been built in the above calculations and the same will result in higher New Business Achieved Profit.
- Any value addition from riders has been ignored. The proportion of riders with base policies is insignificant.
- Comparison with other Life Companies might not be very relevant as actuarial assumptions and methodology used are likely to vary from Company to Company, in the absence of any common agreed process



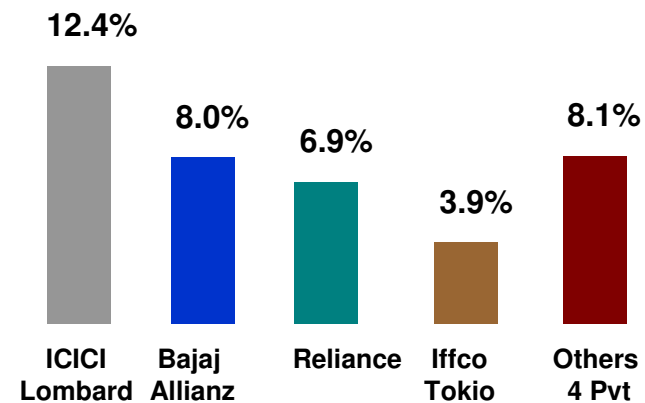
## **Bajaj Allianz General**

# Bajaj Allianz General - Market share

**Market Share (2006-07)**



**Market Share 2007/08 (Apr-Aug 07)**



## *oPost de-tariffication*

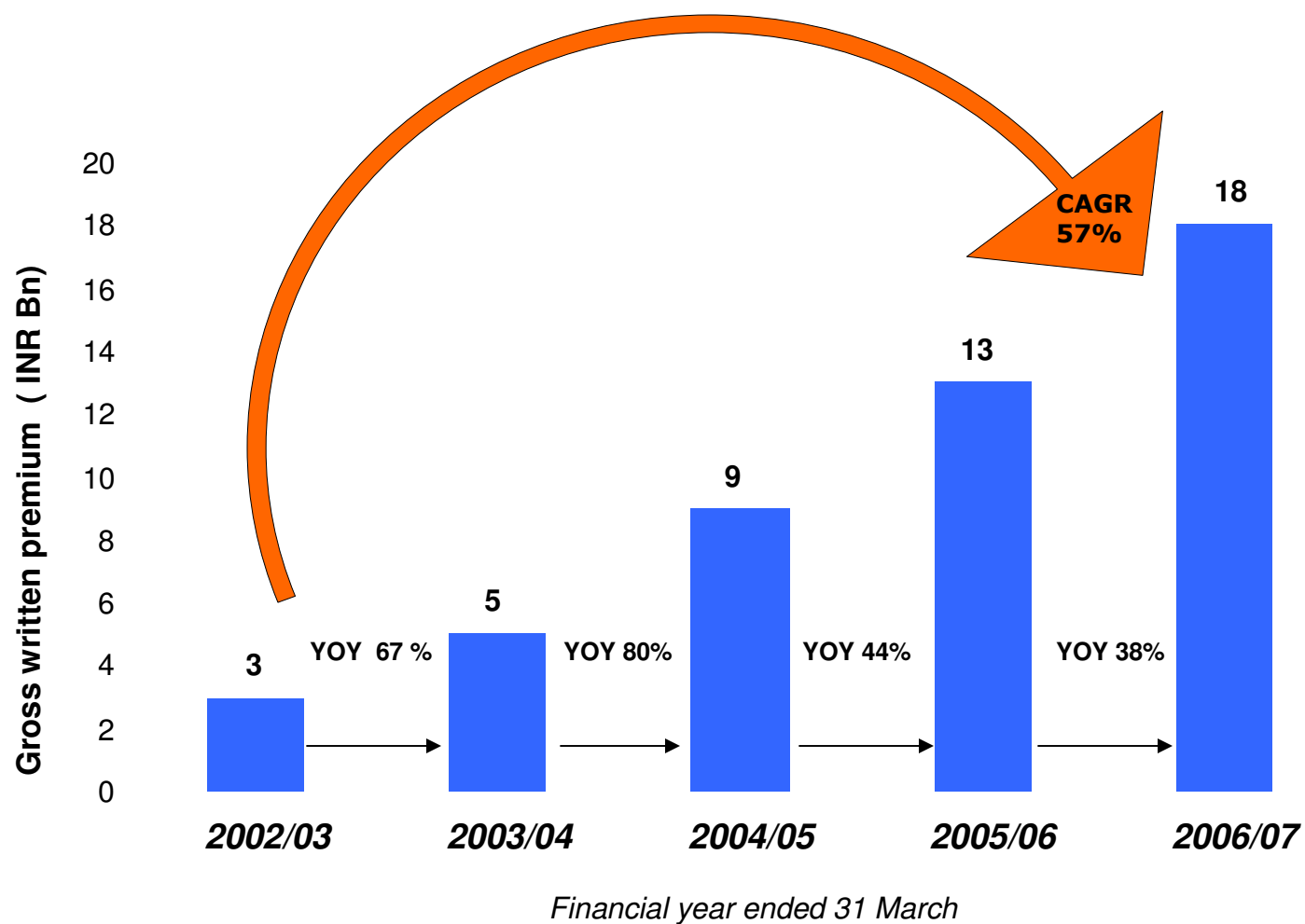
*oBajaj Allianz share increased to 8%*

*oPrivate sector share increased from 35% to 39%*

*oTop 3 companies have nearly two thirds the private sector market*

Source : IRDA website

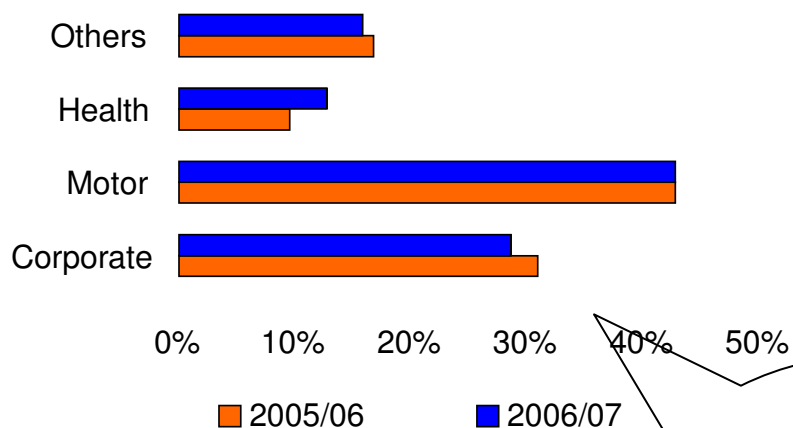
# Bajaj Allianz General – the growth story (Rs Bn)



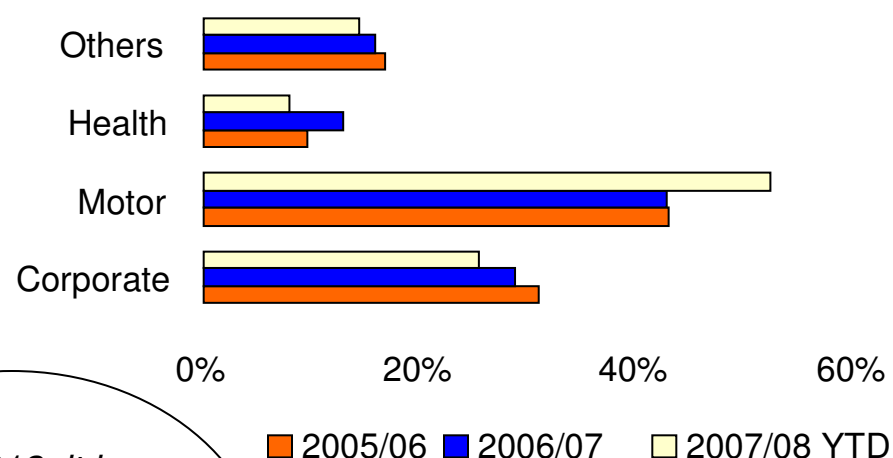
**Consistently ranked number 2 in pvt. Sector with 4 year CAGR at 57%**

# Changing business mix

**Business mix - Market**



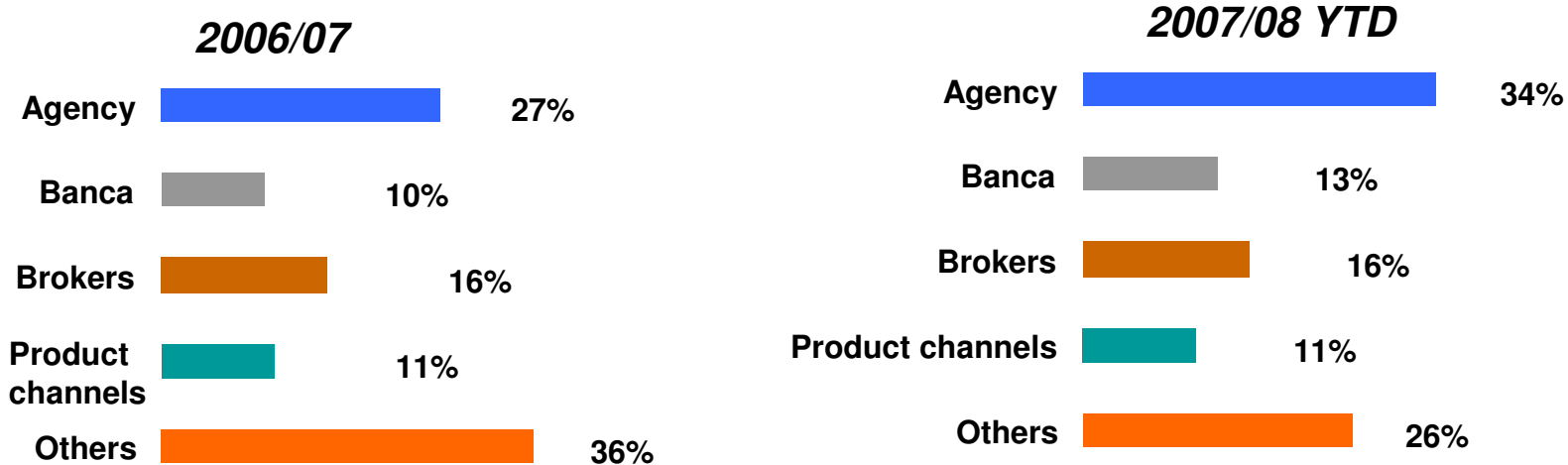
**Bajaj Allianz business mix**



*By 2012, it is expected that Motor and Health will constitute more than two thirds of the market*

***To capitalize on the growing health and motor segments and with corporate pricing under pressure, Bajaj Allianz has increased its presence in retail business,***

# Bajaj Allianz General – Multi distribution channels



## Bancassurance

- 22 National tie ups including HDFC, UTI, IDBI
- 132 cooperative/regional banks

## Agency

- Over 5500 agents
- Strong focus on training
- Over 150 offices

## Product channels

- Tie-ups with BMW, Maruti, Hyundai, JCB
- Over 500 travel agents
- Numerous Motor dealers

*Retail channels like banca, agency, expected to grow in line with company's strategy*

*Financial year ended 31 March – YTD  
six months ended 30 September 2007.*

## 2006/07 Financials compared to peers

	ICICI	ICICI	BJAZ	BJAZ	Reliance	Reliance	Other Pvt Cos	Other Pvt Cos
	INR Bn	USD Mn	INR Bn	USD Mn	INR Bn	USD Mn	INR Bn	USD Mn
Gross Written Premium	30.03	751	18.03	451	9.12	228	29.98	750
Net Written premium	14.51	363	10.40	260	5.04	126	16.78	420
Net Earned Premium	10.67	267	8.39	210	2.44	61	15.30	383
Underwriting profit	-0.55	-14	0.25	6	-0.31	-8	-0.33	-8
Profit before tax	0.80	20	1.17	29	0.02	1	1.19	30
Free Cash Flow	4.98	125	5.74	144	2.96	74	3.69	92
Return on Equity (%)	10%		22%		1%		10%	
Combined ratio	105%		98%		113%		102%	
Expenses/NWP	51%		44%		42%		54%	
NWP/Net worth	1.6		2.5		1.9		1.8	

GWP – Gross written premium; NWP – Net written premium; NEP – Net earned premium, UWP – Underwriting profit; PBT – Profit before tax; FCF – Free Cash flow; ROE – Return on equity.

Free Cash Flow = Increase in cash and investments during the year less financing cash flows

1 USD = INR 40

# Bajaj Allianz General

## 2006/07 - Benchmarking

### Highlights

- Strong underwriting focus resulting in consistent underwriting profitability
- Highest PBT in private sector
- Focus on strong retention resulting in high free cash flows
- High efficiency of capital and strong ROE
- One of the lowest expense ratios

*GWP – Gross written premium; NWP – Net written premium; NEP – Net earned premium, UWP – Underwriting profit; PBT – Profit before tax; FCF – Free Cash flow; ROE – Return on equity.*

*Free Cash Flow = Increase in cash and investments during the year less financing cash flows*

# Bajaj Allianz General – Milestones 2006/07



## •Profitability

- Highest PBT – 1st company to cross Rs 1 Bn in PBT in pvt sector.
- Only company to have underwriting profits 3rd year running
- Highest ROE in the industry for 3<sup>rd</sup> year running (> 20%)



## Market position

- 2nd Highest GWP in Private Sector
- Growing market share
- Balancing growth with profitability



## Market penetration

- No1 Company in pvt sector in terms of No. of Policies issued (4.9 Mn policies issued)



## Cash flows and profit mix

- One of the highest free cash flows in the private sector
- Over 85% of profit from sustainable sources – insurance, interest.



# Bajaj Allianz General – the way forward

## Smart distribution

- Expand reach - Target of 175 offices by March 08.
- Leverage first class banking relationships – HDFC, UTI.
- Increasing agents' productivity – enlarge agent base.
- Push online / walk-in channels

## Diversified product range

- New product markets – commercial vehicles
- Innovation – Packaged products in accident and health
- Preparing for free product regime

## Customer Solutions/ efficiency

- Claims audit/investigations.
- Regional operations hubs for faster and more cost effective service
- Fast track claims settlement for small value claims

## Bajaj Allianz General – Challenges



### **Distribution**

- Expanding into Tier 3 cities
- Expanding health business beyond major centres



### **Products/Pricing**

- Free market regime expected in April 2008
- Possibility of further price competition in retail



### **Competition**

- New entrants focussed on market share acquisition
- Fight for limited available talent



### **Customer solutions**

- Service differentiation becoming increasingly important.
- Customer service and volume handling

# Bajaj Allianz General

## Profitability H1- 2007/08 YTD

	Apr-Sep 07 (INR Mn)	Apr-Sep 07 (USD Mn)	Apr-Sep 06 (INR Mn)	Apr-Sep 06 (USD Mn)	YOY change
Gross written premium	11,225	281	8,421	211	33.3%
Net written premium	7,484	187	4,828	120	55.6%
Net earned premium	6,031	151	3,824	96	57.7%
Underwriting profit	8	0	42	1	
Recurring Investment Income	638	16	359	9	
Capital gains	166	4	14	0	
Profit before tax	814	20	439	11	85.7%
Loss ratio	67.7%	67.7%	72.4%	72.4%	
Combined ratio	99.9%	99.9%	98.9%	98.9%	

- o **Third highest growth rate amongst all companies**
- o **Underwriting profit despite pricing pressures due to de-tariffication**
- o **Strong growth in PBT**
- o **Strong retention – 67%**

1 USD = INR 40

## Balance sheet at 30 Sep 07 (USD Mn)

	30-Sep-07 (INR Mn)	30-Sep-07 (USD Mn)	31-Mar-07 (INR Mn)	31-Mar-07 (USD Mn)
<b>Cash and investments</b>	16,929	423	14,754	369
<b>Other assets</b>	2,127	53	1,716	43
<b>Insurance reserves</b>	12,489	312	9,764	244
<b>Other liabilities</b>	1,831	46	3,081	77
<b>Net worth</b>	4,530	113	4,034	101
<b>Free cash flow</b>	2,175	54	5,736	143

o *Focus on free cash flows and growth in invested surplus*

*Free cash flow = increase in invested surplus net of financing cash flows*

1 USD = INR 40

Bajaj Allianz Life Insurance Co Ltd  
Bajaj Allianz General Insurance Co Ltd  
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